

Compass Group announces trading results for the third quarter

4 years ago



Compass Group PLC, a global leader in food services, today announces trading results for the third quarter ended 30 June 2022.

Q3 highlights

- Underlying revenue at 109% of 2019 revenues¹
- Organic revenue growth² of 43.4%, an acceleration from 37.9% in HY 2022
- Business & Industry above 100% of 2019 revenues¹ on a run-rate basis
- Very strong net new business growth of 9.1% or 6.9% rebased to 2019, with retention at 96.1%
- Underlying operating margin up 40bps from 5.8% in HY 2022 to 6.2% in Q3; 6% YTD
- Completed £237 million⁴ of £500 million share buyback programme
- Launched Sustainable Financing Framework, supporting our 2050 Net Zero target

By Region	Organic revenue change ²		Underlying revenue ¹ (% of 2019)	
	Q3 2022	Q3 YTD 2022	Q3 2022	Q3 YTD 2022
North America	49.7%	48.6%	112%	106%
Europe	41.9%	32.8%	104%	95%
Rest of the World	15.9%	11.8%	106%	95%
Group	43.4%	39.9%	109%	102%

By Sector	Organic revenue change ²		Underlying revenue ¹ (% of 2019)	
	Q3 2022	Q3 YTD 2022	Q3 2022	Q3 YTD 2022
Business & Industry	59.9%	43.7%	97%	86%
Education	41.4%	46.8%	110%	106%
Healthcare & Seniors	12.0%	11.0%	120%	117%
Sports & Leisure	142.7%	208.7%	119%	107%
Defence, Offshore & Remote	10.5%	8.8%	122%	118%
Group	43.4%	39.9%	109%	102%

The strong growth momentum seen throughout the first half of the year continued into Q3 with all three regions operating above 2019 levels. The organisation says it is particularly pleased with the strength of the top line recovery in Business & Industry which is now trading above its 2019 level on a run-rate basis.

Net new growth was very strong at 6.9%³, more than double the historical rate of 3%, and continues to be driven by increased first time outsourcing.

Net M&A totalled £223 million year to date as Compass Group continue to expand its portfolio of brands, focus on digital innovation and delivered-in solutions.

In line with the half year results announcement, Compass Group purchased 13.7 million shares at a total cost of £237 million⁴ as part of its £500 million share buyback programme.

ESG

In July, Compass Group launched a Sustainable Financing Framework to issue sustainable debt in the future, further supporting its worldwide commitment to reach Climate Net Zero by 2050 and social mobility initiatives around the Group. Sustainable financing aligns with the expectations of its clients and shareholders and gives it the ability to play our part in combatting climate change. For further information [click here](#).

Currency

Trading results from our overseas operations are translated at the average exchange rates for the period. If current spot rates were to continue for the remainder of the year, foreign exchange translation would positively impact 2021 revenue by £533 million and operating profit by £33 million.

Summary and outlook

All regions and sectors are executing well, and Compass Group says it is particularly pleased with the recovery in Business & Industry, which is now trading above 2019 revenues on a run-rate basis. New

business growth continued to accelerate, benefiting from an increase in first time outsourcing due to ongoing operational challenges and heightened inflation.

Given the significant acceleration in growth and ongoing recovery of its base business, it is increasing our FY 2022 organic revenue growth guidance from around 30% to around 35%. Compass Group has confirmed its FY 2022 operating margin guidance of over 6% and now expect its exit margin to moderate slightly from around 7% due to the strong net new performance and ongoing inflationary pressures.

In its third quarter trading update it says that while it is mindful of the challenging macroeconomic environment, Compass Group remain excited about the significant structural growth opportunities globally. With a clear strategy, operational scale, and market leading offer, Compass is very well positioned to capitalise on the increase in outsourcing opportunities. Longer term, it expect revenue and profit growth above historical rates, returning margin to pre-pandemic levels, and rewarding shareholders with further returns.

Notes

These results are unaudited.

¹ Measured on a constant currency basis.

² Year on year change.

³ Rebased to 2019.

⁴ As at 22 July 2022, excludes broker fees and stamp duty

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